



MICHIGAN DEPARTMENT OF NATURAL RESOURCES
FOREST, MINERAL AND FIRE MANAGEMENT

Summary of Gas Post Production Costs for State of Michigan Oil and Gas Leases

Submission of this information is required by authority of Part 5, Section 502, Act 451 of 1994, as amended, and pursuant to State of Michigan Oil and Gas lease terms. Noncompliance with lease requirements may result in placement on the Hold Action List and/or other legal remedies as determined necessary.

For additional Information regarding this document, contact the Mineral & Land Management Section at 517-373-7663.
DNR Internet Website address: www.michigan.gov

This is a one-time only document to be used to address the April 1, 1996 through March 31, 2002 retroactive implementation period, which must be filed by July 1, 2002, or as agreed to in writing by the Lessor.

Operator Name:	Preparer's Address:
Contact Person:	City: State: Zip Code:
Preparer's Name:	Preparer's Phone:

SCHEDULE R - Recapture of Retroactive Post Production Cost Adjustment

Unit Area or Well Name: _____

For April 1, 1996 to March 31, 2002

		Gross Amount	Net Amount	Per Mcf	For DNR Audit Use (Leave Blank)
1	Decimal Interest				
2	Prior Year Variance - 2002	\$	\$	\$	
3	Amount paid on monthly Remittances	\$	\$	\$	
4	Amount paid in a lump-sum	\$	\$	\$	
5	Amount due from the State	\$	\$	\$	

If an amount is due to the State and reimbursement is made through monthly adjustments:

- Complete the monthly Oil and Gas Production and Royalty Remittance form (PR4227-7), itemized by unit, with the cost code "XX" and reporting month/year of "3/03" to ensure proper crediting.
- Final payment is due by May 25, 2003 (March 2003 Production month).

If an amount is due to the State and payment is made in a lump-sum amount:

- Send a check payable to the State of Michigan for the amount due and submit to the Cashier's Office with the completed Oil and Gas Production and Royalty Remittance form (PR4227-7).
- PR4227-7, Oil and Gas Production and Royalty Remittance form, must be itemized by unit, with the cost code "XX" and reporting month/year of "3/03" to ensure proper crediting.
- Final payment is due by July 1, 2003.

If a refund is due from the State:

Contact the Mineral and Land Management Section at 517-373-7663 to make arrangements.
The State will be issuing a lump-sum payment upon completion of its review of the information submitted.

Only costs specifically allowed in the Audit Calculations Standards, or approved in writing by the Lessor, may be deducted as a Post Production Cost.

Preparer certifies that the information provided on Schedule R is accurate and complete to the best of his or her knowledge.

Preparer's Signature:	Date:
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RETURN THIS COMPLETED SCHEDULE TO: MINERAL & LAND MANAGEMENT SECTION
FOREST, MINERAL and FIRE MANAGEMENT
MICHIGAN DEPARTMENT OF NATURAL RESOURCES
PO BOX 30452
LANSING MI 48909-7952

Key for Schedule R (Refund from State)

Lessor/State = Department of Natural Resources on behalf of the State of Michigan as Lessor holding the mineral ownership.

Schedule = Schedules to be used for reporting PPC deductions in accordance with the approved Standards.

Standard = Audit Calculations Standards approved by the Lessor.

PPC = Allowable "Post Production Cost" as provided for in the approved Standard, or other instrument as agreed to in writing by the Lessor.

Unit Area = Unit area is an individual drilling unit with a single well, or a voluntary unitized area, or a Uniform Spacing Plan authorized by the Supervisor of Wells under Order 14-9-94, or a plan of Unitization authorized by the Supervisor of Wells under Part 617.

Column Headings:

Gross Amount	The gross PPC deductions associated with the Unit Area.
Net Amount	The gross PPC amount multiplied by the State of Michigan's Decimal Interest (inserted in line 1).
Per Mcf	The rate per Mcf for the PPC deductions after applying the State's Decimal Interest associated with the Unit Area.

Row Descriptions:

1	Decimal Interest	Insert the State of Michigan's decimal interest in the Net amount column.
2	Prior Year Variance - 2002	From 2002 Schedule, Line 11.
3	Amount to be paid on monthly Remittances	Amount to be paid on monthly Remittances with payment due by May 25, 2003 (March production). Cost code to be reported as "XX" and production month/year as "3/03."
4	Amount to be paid in a lump-sum	Lump-sum total to be paid by July 1, 203. Cost code to be reported as "XX" and production month/year as "3/03."
5	Amount due from the State	Amount of refund due from the State.